

ACTION ADVOCACY, P.C.

*David F. Falvey, Esquire**
Attorneys at Law
One Crouch Street
Groton, Connecticut 06340-3781

Kenneth R. Davison, Esquire

Tel. 860-449-1510
Fax 860-449-8046
e-mail office@actionadvocacy.com
www.actionadvocacy.com

**Board Certified-Consumer Bankruptcy*

H.B. 6466- Homestead and Motor Vehicle Exemptions

Testimony of Dave Falvey, Esq.

Judiciary Committee Public Hearing - March 3, 2021

<u>Recommended Committee Action: APPROVAL OF THE BILL</u>
--

KEEP 'NUTMEGGERS' IN CONNECTICUT

STOP THE SNOWBIRDS FROM LEAVING!

I am writing in favor of H.B. 6466 because one of the causes for leaving Connecticut to live elsewhere is due to our poor homestead exemption and other poor exemptions in comparison with other states.

I am a consumer bankruptcy attorney and I have had consultations with clients where they should live to preserve their homes. For example, Massachusetts and Rhode Island each have a homestead exemption of \$500,000. We know that Connecticut's homestead exemption is \$75,000 or a maximum of \$150,000 if the house is owned by 2 people. The average cost of a home in New London County is \$240,000.00.

Planning a bankruptcy has always had the issue of moving to a foreign jurisdiction before filing a petition, namely, moving to another jurisdiction and acquiring a house in the foreign jurisdiction which has a more favorable state exemption law to preserve the homestead or assets. When Florida was not more

than 'swamp land', the legislature passed debtor friendly laws to attract more of a population. It looks like their plan has been successful if we count all the 'snowbirds' from Connecticut who have moved to Florida. More and more people are leaving Connecticut and moving to Florida for estate tax purposes and homestead purposes. As far as I know, in general, Florida has an unlimited homestead exemption and Western States have homestead exemptions far more than Massachusetts' and Rhode Island's homestead exemptions of \$500,000.00.

And one big issue in very recent history involved people who were very wealthy in the Northern States with very poor homestead exemptions (I believe that Illinois' homestead exemption is \$15,000 and homestead exemptions can range from 'no homestead exemption' to \$5,000 for the exemption) and since they wanted to preserve their home, they moved to Florida and put all their money into a home to protect their total life's savings. Then they filed for bankruptcy and discharged all their debts and kept their home. So, this issue has always had the natural tension between creditors and debtors.

A very good paper on this subject is entitled, 'Bankruptcy, Relocation, and the Debtor's Dilemma: Preserving Your Homestead Exemption Versus Accepting the New Job Out of State', Loyola University Chicago Law Journal, Vol 43, Page 141-243. I am attaching a copy of this law review article for your convenience.

Connecticut is surrounded by New York with homestead of exemption of \$300,000 depending on the county of residence, Massachusetts's exemption is \$500,000 and Rhode Island's homestead exemption is \$500,000. Probably, just one of the reasons Connecticut population is shrinking is due to the lowest homestead exemption in the 'neighborhood'.

There are all kinds of financial planning besides bankruptcy and the choice of residence is always important like with Estate Planning. And with one high profile company, it has been reported that Subway Sandwich Shop which originated in Connecticut, transferred its headquarters to Florida because Fred Deluca, founder of Subway, had concerns about Connecticut's estate planning laws.

I believe if the homestead exemption was increased in Connecticut, it would help keep people here in Connecticut and make Connecticut more competitive with other states on this legal issue.

Finally, I would like to comment on our automobile exemption law in Connecticut which is \$3,500.00. Most people would agree that in all probability a car which is only worth \$3,500.00 is at best at the lowest point of sales for a used vehicle. And an average used car might sell for \$5-10,000. And a new car, at the low end of the spectrum for new cars, would cost \$15-\$20,000. When the car exemption was first enacted at \$1,000, it was probably 50% of the value of a new car, and it was decades before the exemption was every increased. Since Connecticut does not have a robust mass transportation system, and consumers cannot really function in our society without a car, the car exemption should be increased.

Respectively Submitted,

A handwritten signature in blue ink, appearing to read 'Dave Falvey', with a stylized flourish extending to the right.

Dave Falvey